

Nigerian Banks: Q1 22 earnings review

The Nigerian equities market recently came to the end of a busy earnings season. Among our covered banks, ACCESSCORP, GTCO, STANBIC, UBA and ZENITHBANK published Q1 2022 unaudited results.

It has been a challenging 2022 thus far for Nigerian banks' stocks. Year-to-date, the sector index has returned a disappointing 7.4% and has grossly underperformed the broader equity gauge (NGX-ASI: +24.3%). Notably, it is the second-worst performing sector index. Stock performance within our coverage universe tells a similar story: FBN Holdings (+4.8%) and Access Holdings (+3.8%) have recorded small gains, UBA has been flattish, while GT Holdco (-8.1%), Stanbic IBTC Holdings (-8.3%), Zenith Bank (-2.6%) have fallen. **We discuss the reasons for the underperformance on Page 2.**

Q1 22 was a decent quarter in terms of earnings for our covered banks. Four of the five banks which published results reported EPS growth; GTCO surprisingly reported an EPS decline. Notably, most of the growth across our coverage was driven by increased funded income, following the expansion in banks' loan books and some upward repricing of loans. Higher yields in Q1 22 (vs Q1 21) also saw banks earn higher interest on their investment securities portfolios y/y. Overall, banks' Yields on Assets (YoA) were much improved compared with the prior year. Elsewhere, banks' Cost of Funds faced some upward pressure: however, they were able to keep rises below the rise in yields. As a result, Net Interest Margins (NIM) were resilient. Non-interest revenues (NIR) also continued on their upward trajectory.

The narrative that the fundamentals of the banking sector are compelling has persisted, even as investor apathy around bank stocks remains. In our view, although bank margins and profitability have come down slightly in recent years, bank stocks have been oversold. In an environment where negative inflation-adjusted yields remain the theme, bank dividends continue to offer more attractive yields than Treasury bills. In addition, with yields on the rise, we think FY 21 may have been the bottom in terms of banks' profitability. The valuations of our coverage banks remain compelling and hold value for long-term investors, in our view.

Nigerian Banks Q1 2022 performance

Ticker	Q1 22 Growth (y/y)			NIM		Cost of Funds		Cost-to-Income		RoAE	
	NII	NIR	EPS	Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22
ACCESS	-7.0%	54.9%	9.4%	5.8%	3.8%	2.6%	3.4%	55.8%	59.8%	27.2%	21.4%
GTCO	9.1%	8.1%	-5.6%	6.8%	7.0%	0.8%	1.3%	41.7%	46.4%	22.1%	19.3%
STANBIC	47.7%	40.2%	35.4%	4.3%	5.3%	1.4%	2.1%	69.2%	63.8%	12.5%	16.2%
UBA	14.1%	27.1%	9.6%	4.0%	4.2%	2.0%	2.1%	60.2%	61.5%	20.6%	20.4%
ZENITHBANK	20.9%	11.8%	9.5%	5.5%	5.5%	1.1%	1.3%	51.7%	52.6%	19.2%	17.8%
AVERAGE	17.0%	28.4%	11.6%	5.3%	5.2%	1.6%	2.0%	55.7%	56.8%	20.3%	19.0%

NII= Net Interest Income; NIR=Non-Interest Revenue; NIM= Net Interest Margin; RoAE = Return on Average Equity

Source: Company Data, Coronation Research

Research | Nigeria | Equities | Banks

Valuation and Rating Summary

Zenith Bank

Ticker	ZENITHBANK
Rating	BUY
Target price (N)	30.86
Current price (N)	24.50
Potential upside / (downside)	+26.0%

Guaranty Trust Holding Company

Ticker	GTCO
Rating	BUY
Target price (N)	36.63
Current price (N)	23.90
Potential upside / (downside)	+53.3%

Access Holdings

Ticker	ACCESSCORP
Rating	BUY
Target price (N)	12.93
Current price (N)	9.65
Potential upside / (downside)	+33.5%

United Bank for Africa

Ticker	UBA
Rating	BUY
Target price (N)	11.72
Current price (N)	8.00
Potential upside / (downside)	+46.5%

Stanbic IBTC Holdings

Ticker	STANBIC
Rating	BUY
Target price (N)	45.00
Current price (N)	33.00
Potential upside / (downside)	+36.4%

Prices in this report are as of 13 May 2022

Source: NGX Exchange, Coronation Research estimates

Analyst(s):

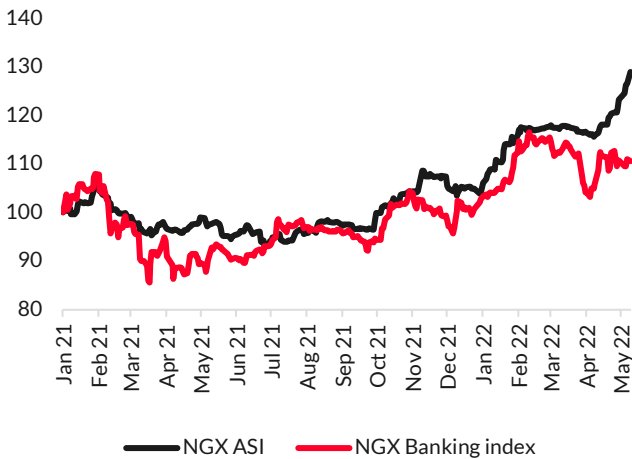
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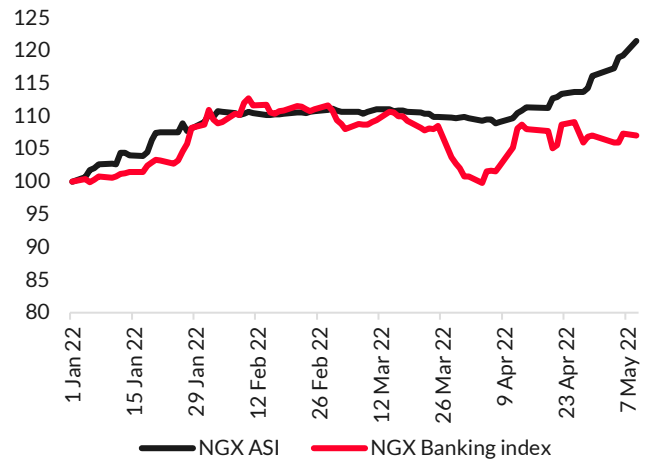
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Investor reaction to the banks Q1 22 results have largely been neutral. We proffer some reasons for this. First, the average gain in EPS (+11.6% y/y) of our covered banks is not that impressive in the context of inflation at 15.9%. Furthermore, stripping out the exceptional rebound in STANBIC's EPS, the average gain in EPS (+5.7% y/y) is not all that impressive.

NGX ASI vs NGX Banking return, rebased 1 January 2021=100



NGX ASI vs NGX Banking return, rebased 1 January 2022=100



Source: NGX Exchange

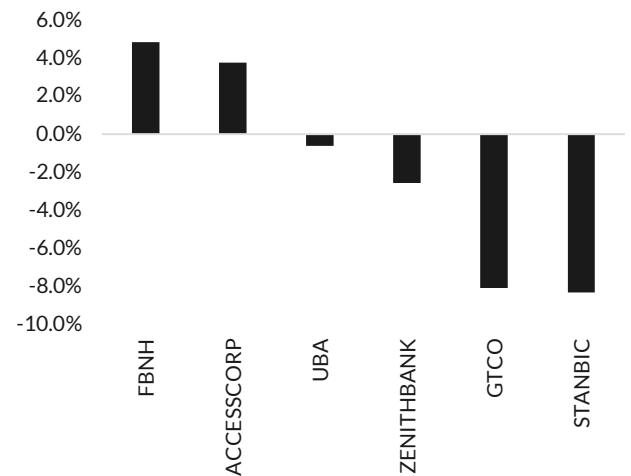
Second, the domestic equity market has got bigger fish to fry. For example, Brent oil price is sharply up (+38.2% y-t-d) and has propelled stocks like Seplat Energy (+84.6% y-t-d) to all-time-highs. In addition, palm oil prices are up sharply and have propelled stocks like Presco (+127.8% y-t-d) and Okomu Oil Palm (+51.4% y-t-d). Elsewhere, the telcos have been performing well, and their underlying growth is looking much better than the banks at the moment: MTN Nigeria grew revenue by 22.2% y/y and EPS by 31.5% y/y in Q1 22.

Third, the equity market now seems to be interested in some re-rates, like the Brewers, who reported better-than-expected numbers in Q1. So, the attraction of the banking sector is not so much an EPS growth story as a store of value.

Forecast dividend yields

Stock	Price (N)	NTM	
		Gross Div. Yield	Net Div. Yield
Access Bank	9.65	12.4%	11.2%
GT HoldCo	23.90	12.6%	11.3%
Stanbic IBTC	33.00	11.8%	10.6%
UBA	8.00	15.0%	13.5%
Zenith Bank	24.50	13.9%	12.5%

Share price performance (y-t-d)



Source: NGX Exchange, Coronation Research | NTM=Next Twelve Months

Zenith Bank (ZENITHBANK) | BUY, TP: N30.86

Q1 22: ZENITHBANK's EPS grew by 9.5% y/y following solid growth in Net interest income (NII) (+20.9% y/y), which hit a quarterly record high of N100.54bn, and Non-interest revenue (NIR) (+11.8% y/y). The former was supported by solid loan growth (+5.8% y-t-d) and increased loan yields (+96bps y/y), while a surge in trading revenues (+231.1% y/y) drove the latter. However, on an annualised basis, the achieved EPS missed our and consensus FY 22 forecasts by 14.5% and 10.2%, owing to a negative surprise on the operating expense (Opex) line. Operating expenses surged 19.5% y/y on increased regulatory costs (AMCON and NDIC) and on the rise in Fuel and maintenance costs, which quadrupled (4.3x y/y), reflecting rising energy costs. For context, we estimate that Fuel and maintenance costs per branch rose from N1.8m in Q1 21 to N7.8m in Q1 22. Consequently, the group's Cost-to-Income ratio rose 90bps to 52.6%.

We are encouraged by the fact that the group was able to not only substantially expand its loan book but was able to upwardly reprice its loans, benefitting its portfolio yield and NII. In addition, NIR is likely to continue to benefit from the execution of the group's retail strategy. On the negative, we are concerned about the elevated operating expense profile. If the growth continues at this run rate, we are likely to increase our FY 22 Opex forecast post the H1 22 results release. Nevertheless, we maintain our BUY rating with a TP of N30.86. ZENITHBANK is trading at a 2022 P/B of 0.5x (ROAE: 19.9%), a discount to its SSA peer multiple of 0.6x and its five-year average of 0.8x.

Zenith Bank Q1 2022 results

Income Statement (Naira millions)	Q1 2021	Q1 2022	y/y	Q4 21	q/q
Interest income	101,176	126,384	24.9%	118,753	6.4%
Interest expense	(18,008)	(25,845)	43.5%	(32,695)	-21.0%
Net interest income	83,168	100,539	20.9%	86,058	16.8%
Fees & commissions	31,420	33,486	6.6%	25,662	30.5%
Trading revenues	9,846	32,598	231.1%	76,821	-57.6%
Other income	9,935	(8,854)	-189.1%	13,783	na
Total operating expenses	(69,492)	(83,019)	19.5%	(70,626)	17.5%
Pre-provision operating profit	64,877	74,750	15.2%	131,698	-43.2%
Loan loss provisions	(3,855)	(6,759)	75.3%	(31,134)	-78.3%
Associate	-	-	na	-	na
Pre-tax profit	61,022	67,991	11.4%	100,564	-32.4%
Tax	(7,962)	(9,793)	23.0%	(16,600)	-41.0%
Minorities	(37)	(74)	100.0%	(25)	196.0%
Net profit	53,023	58,124	9.6%	83,939	-30.8%
EPS (Naira)	1.69	1.85	9.5%	2.67	-30.7%
Balance Sheet (Naira millions)	FY 2021	Q1 2022	y-t-d		
ASSETS					
Net Loans	3,355,728	3,552,623	5.9%		
Gross Loans	3,501,878	3,704,725	5.8%		
Interbank	691,244	819,190	18.5%		
Securities	3,068,671	3,193,955	4.1%		
Interest Earning Assets	7,115,643	7,565,768	6.3%		
Total Assets	9,447,843	10,324,269	9.3%		
LIABILITIES					
Customer Deposits	6,472,054	7,253,795	12.1%		
Interbank Funding	-	-	na		
Long-term Funding	1,165,509	1,057,589	-9.3%		
Interest Bearing Liabilities	7,652,237	8,323,738	8.8%		
Total Liabilities	8,168,181	8,993,872	10.1%		
Shareholders' equity	1,279,662	1,330,397	4.0%		
Ratios	Q1 2021	Q1 2022	y/y		
Net Interest Margin	5.5%	5.5%	0bps		
Cost of Funds	1.1%	1.3%	22bps		
Cost to Income	51.7%	52.6%	90bps		
Cost of Risk	0.5%	0.8%	23bps		
NPL Ratio	4.2%	4.2%	2bps		
ROAE	19.2%	17.8%	-138bps		
ROAA	2.7%	2.4%	-33bps		

Source: Company data, Coronation Research

ZENITHBANK Summary of Financials

Balance Sheet (Nm)	2020A	2021A	2022F	2023F	2024F
ASSETS					
Net Loans	2,779,027	3,355,728	3,578,618	3,759,462	3,948,100
Gross Loans	2,779,027	3,355,728	3,578,618	3,759,462	3,948,100
Interbank	810,494	691,244	981,258	1,213,174	1,483,804
Securities	2,574,791	3,068,671	3,262,349	3,570,459	3,913,176
Interest Earning Assets	6,164,312	7,115,643	7,822,225	8,543,095	9,345,080
Total Assets	8,481,273	9,447,843	10,355,413	11,267,738	12,282,037
LIABILITIES					
Customer Deposits	5,339,911	6,472,054	7,178,844	7,856,846	8,610,998
Interbank Funding	0	0	0	0	0
Long-term Funding	1,297,830	1,165,509	1,158,837	1,156,627	1,157,558
Interest Bearing Liabilities	6,637,741	7,637,563	8,337,681	9,013,472	9,768,556
Total Liabilities	7,363,800	8,168,181	8,901,194	9,614,286	10,412,858
Shareholders' equity	1,116,499	1,278,518	1,453,075	1,652,308	1,868,034
Minority interests	974	1,144	1,144	1,144	1,144
Total liabilities & equity	8,481,273	9,447,843	10,355,413	11,267,738	12,282,037
Income Statement (Nm)	2020A	2021A	2022F	2023F	2024F
Interest income	420,813	427,597	494,561	548,837	606,416
Interest expense	(121,131)	(106,793)	(129,537)	(143,892)	(163,517)
Net interest income	299,682	320,804	365,024	404,945	442,898
Fees & commissions	79,332	103,958	118,433	136,198	156,627
Trading revenues	121,678	167,483	175,857	184,650	193,883
Other income	50,735	37,594	35,714	37,500	39,375
Total operating expenses	(256,032)	(289,533)	(309,987)	(329,323)	(350,673)
Pre-provision operating profit	295,395	340,306	385,041	433,971	482,110
Loan loss provisions	(39,534)	(59,932)	(57,260)	(62,887)	(68,067)
Associate	0	0	0	0	0
Pre-tax profit	255,861	280,374	327,781	371,083	414,043
Tax	(25,296)	(35,816)	(55,723)	(63,084)	(70,387)
Minorities	(191)	(156)	(174)	(196)	(219)
Net profit	230,374	244,402	271,885	307,803	343,437
Growth Rates	2020A	2021A	2022E	2023E	2024E
Loans	20.5%	20.8%	6.6%	5.1%	5.0%
Deposits	25.3%	21.2%	10.9%	9.4%	9.6%
Assets	33.6%	11.4%	9.6%	8.8%	9.0%
Equity	18.6%	14.5%	13.7%	13.7%	13.1%
RWA	15.1%	23.2%	9.9%	9.2%	9.4%
Net Interest income	12.2%	7.0%	13.8%	10.9%	9.4%
Non-interest income	8.5%	22.8%	6.8%	8.6%	8.8%
of which Fee Growth	-20.8%	31.0%	13.9%	15.0%	15.0%
Revenues	10.5%	14.2%	10.4%	9.8%	9.1%
Costs	10.4%	13.1%	7.1%	6.2%	6.5%
Pre-provision profits	10.5%	15.2%	13.1%	12.7%	11.1%
Loan loss provision	64.5%	51.6%	-4.5%	9.8%	8.2%
Pre-tax profit	5.2%	9.6%	16.9%	13.2%	11.6%
Net profit	10.4%	6.1%	11.2%	13.2%	11.6%
EPS	10.4%	6.0%	11.3%	13.2%	11.6%
DPS	7.1%	3.3%	9.7%	17.6%	17.5%

Source: Company reports, Coronation Research estimates

Note: Naira in millions (except per-share data). Fiscal year ends in December. O/w - out of which

Per Share Data (Naira)	2020A	2021A	2022F	2023F	2024F
EPS	7.34	7.78	8.66	9.80	10.94
DPS	3.00	3.10	3.40	4.00	4.70
Payout ratio	40.9%	39.8%	38.8%	40.8%	42.8%
BV per share	35.59	40.76	46.32	52.66	59.54
Shares outstanding (millions)	31,396	31,396	31,396	31,396	31,396

Balance Sheet Gearing	2020A	2021A	2022F	2023F	2024F
Loan/deposit	52.0%	51.8%	49.8%	47.8%	45.8%
Investment/assets	30.4%	32.5%	31.5%	31.7%	31.9%
Loan/assets	32.8%	35.5%	34.6%	33.4%	32.1%
Customer deposits/liabilities	72.5%	79.2%	80.7%	81.7%	82.7%
Debt/Liabilities	17.6%	14.3%	13.0%	12.0%	11.1%

Asset Quality/Capital	2020A	2021A	2022F	2023F	2024F
NPLs	125,200	146,800	149,442	154,202	161,244
RWAs	4,831,015	5,953,302	6,544,463	7,147,579	7,818,560
Loan loss reserves	140,315	146,150	148,781	153,519	160,530
Loan loss reserves/loans	5.0%	4.4%	4.2%	4.1%	4.1%
NPLs/loans	4.5%	4.4%	4.2%	4.1%	4.1%
Loan loss reserves/NPLs	112.1%	99.6%	99.6%	99.6%	99.6%
LLP/RWA	2.9%	2.5%	2.3%	2.1%	2.1%

Return Ratios	2020A	2021A	2022F	2023F	2024F
RORWA	4.8%	4.1%	4.2%	4.3%	4.4%
Pre-tax ROE	22.9%	21.9%	22.5%	22.4%	22.2%
ROE	20.6%	19.1%	18.7%	18.6%	18.4%
ROA	2.7%	2.6%	2.6%	2.7%	2.8%
ROAE	22.4%	20.4%	19.9%	19.8%	19.5%
ROAA	3.1%	2.7%	2.7%	2.8%	2.9%

Revenues	2020A	2021A	2022F	2023F	2024F
Asset margin	7.8%	6.4%	6.6%	6.7%	6.8%
Liability margin	2.1%	1.5%	1.6%	1.7%	1.7%
NIM	5.6%	4.8%	4.9%	4.9%	5.0%
Spread (ppts)	5.7%	4.9%	5.0%	5.0%	5.0%
Non-IR/ average assets	3.4%	3.4%	3.3%	3.3%	3.3%
Total rev/average assets	7.4%	7.0%	7.0%	7.1%	7.1%
NII/Total revenues	54.3%	50.9%	52.5%	53.1%	53.2%
Fees/Total Revenues	14.4%	16.5%	17.0%	17.8%	18.8%
Trading/Total revenues	22.1%	26.6%	25.3%	24.2%	23.3%

Cost ratios	2020A	2021A	2022F	2023F	2024F
Cost/income	46.4%	46.0%	44.6%	43.1%	42.1%
Cost/ average assets	3.5%	3.2%	3.1%	3.0%	3.0%
Effective tax	9.9%	12.8%	17.0%	17.0%	17.0%
No of employees	7,544				

Valuation	2020A	2021A	2022F	2023F	2024F
P/E (x)	3.1	3.0	2.7	2.3	2.1
P/BV (x)	0.6	0.6	0.5	0.4	0.4
Dividend yield	13.0%	13.5%	14.8%	17.4%	20.4%

Guaranty Trust Holding Company (GTCO) | BUY, TP: N36.63

Q1 22: GTCO's EPS declined by 5.6% y/y following a 20.9% y/y surge in Opex and a higher effective tax rate (20.4% vs 15.2% in Q1 21). The preceding offset the growth entirely in NII (+9.5% y/y) and NIR (+8.1% y/y). On an annualised basis, the achieved EPS missed our and consensus FY 22 forecasts by 10.4% and 9.8%, owing to the negative surprise on the operating expense (Opex) and NII lines. Opex surged 20.9% y/y on increased regulatory costs (AMCON and NDIC) but also on the rise in Administrative, communications and sponsorship (+137.5% y/y) and Human capital (+715.0% y/y) related expenses. Consequently, the group's efficiency deteriorated, with its Cost-to-Income ratio rising by 469bps to 46.4%. On the NII miss, Interest income grew slower than we expected. We attribute this to the reduction in the group's earning assets, which shrunk by 0.8% y-t-d, its first q/q fall since Q3 20.

GTCO results were unimpressive and are tracking behind our, consensus forecasts and management's guidance. There was also no meaningful growth in the group's balance sheet during the period, putting doubt on whether the group can effectively take advantage of the expected rise in domestic interest rates. Finally, we are concerned about the elevated opex profile; we will seek clarity from management on the non-regulatory cost drivers, although, at first sight, they seem to be acquisition-related costs. Nevertheless, we maintain our BUY rating with a TP of N36.63. The stock is trading at a 2022 P/B of 0.8x (ROAE: 21.6%), a justified premium to its SSA peer multiple of 0.6x, but at a discount to its five-year average multiple of 1.0x.

Guaranty Trust Holdco Q1 2022 results

Income Statement (Naira millions)	Q1 2021	Q1 2022	y/y	Q4 21	q/q
Interest income	60,309	70,643	17.1%	71,858	-1.7%
Interest expense	(7,874)	(13,439)	70.7%	(14,188)	-5.3%
Net interest income	52,434	57,205	9.1%	57,670	-0.8%
Fees & commissions	14,608	18,756	28.4%	13,820	35.7%
Trading revenues	16,108	15,298	-5.0%	3,913	291.0%
Other income	12,175	12,320	1.2%	35,250	-65.1%
Total operating expenses	(39,783)	(48,085)	20.9%	(38,525)	24.8%
Pre-provision operating profit	55,543	55,494	-0.1%	72,127	-23.1%
Loan loss provisions	(1,860)	(1,209)	-35.0%	(2,537)	-52.4%
Associate	0	0	na	0	na
Pre-tax profit	53,683	54,285	1.1%	69,590	-22.0%
Tax	(8,137)	(11,078)	36.1%	(24,151)	-54.1%
Minorities	(596)	(889)	49.3%	(776)	14.6%
Net profit	44,951	42,319	-5.9%	44,663	-5.2%
EPS (basic, naira)	1.60	1.51	-5.6%	1.60	-5.6%
Balance Sheet (naira millions)	FY 2021	Q1 2022	y-t-d		
ASSETS					
Net Loans	1,802,587	1,718,134	-4.7%		
Gross Loans	1,886,292	1,801,402	-4.5%		
Interbank	115	274	138.1%		
Securities	1,126,869	1,125,746	-0.1%		
Interest Earning Assets	4,046,834	4,014,365	-0.8%		
Total Assets	5,436,035	5,498,222	1.1%		
LIABILITIES					
Customer Deposits	4,012,306	4,045,287	0.8%		
Interbank Funding	118,028	113,238	-4.1%		
Long-term Funding	153,897	107,089	-30.4%		
Interest Bearing Liabilities	4,284,231	4,265,614	-0.4%		
Total Liabilities	4,552,808	4,589,463	0.8%		
Shareholders' equity	883,227	908,759	2.9%		
Ratios	Q1 2021	Q1 2022	y/y		
Net Interest Margin	5.9%	5.7%	-22bps		
Cost of Funds	0.8%	1.3%	43bps		
Cost to Income	41.7%	46.4%	469bps		
Cost of Risk	0.1%	0.1%	-4bps		
NPL Ratio	6.1%	5.9%	-15bps		
ROAE	22.1%	19.3%	-277bps		
ROAA	3.7%	3.2%	-51bps		

Source: Company data, Coronation Research

GTCO Summary of Financials

Balance Sheet (Nm)	2020A	2021A	2022F	2023F	2024F	Per Share Data (NGN)	2020A	2021A	2022F	2023F	2024F
ASSETS						EPS	6.78	5.85	6.42	7.04	7.60
Net Loans	1,662,732	1,802,587	1,992,467	2,090,806	2,194,260	DPS	3.00	3.00	3.00	3.20	3.50
Gross Loans	1,743,709	1,886,292	2,018,332	2,119,249	2,225,211	Payout ratio	44.2%	51.3%	46.0%	46.0%	46.0%
Interbank	99	115	115	115	5,195	BV per share	29.37	30.07	31.38	33.03	34.98
Securities	1,793,321	2,164,858	2,495,102	2,735,981	3,007,612	Shares outstanding (million)	29,431	29,431	29,431	29,431	29,431
Interest Earning Assets	3,518,352	4,046,834	4,574,749	4,917,620	5,301,529						
Total Assets	4,944,653	5,436,035	6,146,766	6,629,766	7,173,645	Balance Sheet Gearing	2020A	2021A	2022F	2023F	2024F
						Loan/deposit	47.4%	44.9%	42.9%	40.9%	38.9%
LIABILITIES						Investment/assets	36.3%	39.8%	40.6%	41.3%	41.9%
Customer Deposits	3,509,319	4,012,306	4,641,580	5,108,687	5,636,934	Loan/assets	33.6%	33.2%	32.4%	31.5%	30.6%
Interbank Funding	101,510	118,028	258,477	287,341	287,341	Customer deposits/liability	85.0%	88.1%	88.5%	89.8%	91.2%
Long-term Funding	113,895	153,897	153,897	153,897	153,897	Debt/Liabilities	2.8%	3.4%	2.9%	2.7%	2.5%
Interest Bearing Liabilities	3,724,724	4,284,231	5,053,955	5,549,926	6,078,173						
Total Liabilities	4,130,258	4,552,808	5,242,789	5,687,366	6,182,725	Asset Quality/Capital	2020A	2021A	2022F	2023F	2024F
						NPLs	111,464	113,919	117,435	116,375	117,145
Shareholders' equity	798,615	864,357	885,106	923,530	972,050	RWAs	2,808,076	2,873,567	3,568,304	3,835,743	4,135,193
Minority interests	15,781	18,870	18,870	18,870	18,870	Loan loss reserves	82,871	85,598	83,882	83,125	83,675
Total Liabilities & equity	4,944,653	5,436,035	6,146,766	6,629,766	7,173,645	Loan loss reserves/loans	4.8%	4.5%	4.2%	3.9%	3.8%
						NPLs/loans	6.4%	6.0%	5.8%	5.5%	5.3%
						Loan loss reserves/NPLs	74.3%	75.1%	71.4%	71.4%	71.4%
						LLP/RWA	3.0%	3.0%	2.4%	2.2%	2.0%
Income Statement (Nm)	2020A	2021A	2022F	2023F	2024F	Return Ratios	2020A	2021A	2022F	2023F	2024F
Interest income	300,738	266,894	304,645	338,590	367,399	RoRWA	7.1%	6.0%	5.3%	5.4%	5.4%
Interest expense	(47,069)	(46,281)	(58,643)	(72,009)	(84,583)	Pre-tax ROE	29.2%	25.1%	26.2%	27.6%	28.3%
Net interest income	253,668	220,613	246,002	266,582	282,817	ROE	25.0%	19.9%	21.4%	22.4%	23.0%
Fees & commissions	46,935	65,651	75,193	86,393	99,439	ROA	4.0%	3.2%	3.1%	3.1%	3.1%
Trading revenues	24,486	22,391	23,510	24,686	25,920	ROAE	27.1%	20.7%	21.6%	22.9%	23.6%
Other income	80,017	83,642	88,623	93,054	97,706	ROAA	4.6%	3.3%	3.3%	3.2%	3.2%
Total operating expenses	(147,438)	(162,267)	(186,056)	(198,843)	(211,861)						
Pre-provision operating profit	257,668	230,029	247,271	271,871	294,021	Revenues	2020A	2021A	2022F	2023F	2024F
Loan loss provisions	(19,573)	(8,531)	(10,247)	(11,893)	(13,574)	Asset margin	9.2%	7.1%	7.1%	7.1%	7.2%
Associate	0	0	0	0	0	Liability margin	1.4%	1.2%	1.3%	1.4%	1.5%
Pre-tax profit	238,095	221,498	237,024	259,978	280,447	NIM	7.8%	5.8%	5.7%	5.6%	5.5%
Tax	(36,655)	(46,658)	(45,035)	(49,396)	(53,285)	Spread (ppts)	7.8%	5.9%	5.8%	5.8%	5.7%
Minorities	(1,830)	(2,732)	(3,000)	(3,291)	(3,550)	Non-IR/ average assets	3.4%	3.3%	3.2%	3.2%	3.2%
Net profit	199,609	172,107	188,989	207,292	223,612	Total rev/average assets	9.3%	7.6%	7.5%	7.4%	7.3%
						NII/Total revenues	62.6%	56.2%	56.8%	56.6%	55.9%
						Fees/Total Revenues	11.6%	16.7%	17.4%	18.4%	19.7%
						Trading/Total revenues	6.0%	5.7%	5.4%	5.2%	5.1%
Growth Rates	2020A	2021A	2022F	2023F	2024F	Cost ratios	2020A	2021A	2022F	2023F	2024F
Loans	10.8%	8.4%	10.5%	4.9%	4.9%	Cost/income	36.4%	41.4%	42.9%	42.2%	41.9%
Deposits	38.6%	14.3%	15.7%	10.1%	10.3%	Cost/average assets	3.4%	3.1%	3.2%	3.1%	3.1%
Assets	31.5%	9.9%	13.1%	7.9%	8.2%	Effective tax	15.4%	21.1%	19.0%	19.0%	19.0%
Equity	18.6%	8.2%	2.4%	4.3%	5.3%	No of employees	5,194				
RWA	14.1%	2.3%	24.2%	7.5%	7.8%						
Net Interest income	9.6%	-13.0%	11.5%	8.4%	6.1%	Valuation	2020A	2021A	2022F	2023F	2024F
Non-interest income	11.2%	13.4%	9.1%	9.0%	9.3%	P/E (x)	3.3	3.8	3.4	3.1	2.9
of which Fee Growth	-21.0%	39.9%	14.5%	14.9%	15.1%	P/BV (x)	0.8	0.8	0.7	0.7	0.7
Revenues	10.2%	-3.2%	10.5%	8.6%	7.5%	Dividend yield	13.6%	13.6%	13.6%	14.5%	15.8%
Costs	12.6%	10.1%	14.7%	6.9%	6.5%						
Pre-provision profits	8.9%	-10.7%	7.5%	9.9%	8.1%						
Loan loss provision	298.5%	-56.4%	20.1%	16.1%	14.1%						
Pre-tax profit	2.8%	-7.0%	7.0%	9.7%	7.9%						
Net profit	2.2%	-13.8%	9.8%	9.7%	7.9%						
EPS	2.2%	-13.8%	9.8%	9.7%	7.9%						
DPS	7.1%	0.0%	0.0%	6.7%	9.4%						

Source: Company reports, Coronation Research estimates

Note: NGN in millions (except per-share data). Fiscal year ends in December. O/w - out of which

Access Holdings (ACCESSCORP) | BUY, TP: N12.93

Q1 22: ACCESSCORP's EPS grew by 9.4% y/y following solid growth in NIR (+54.9% y/y), which made up 55.4% of net revenue (Q1 21: 42.7%). The growth was primarily driven by trading revenues which surged 75.3% y/y following a substantial net foreign exchange gain of N85.8bn. On an annualised basis, the achieved EPS is ahead of our FY 22 forecasts by 8.7%, owing to better-than-expected NIR, which helped offset the miss in NII. Expressly, NII declined by 7.0% y/y as Interest expense surged 73.2%. The group's Cost of Funds continues to face pressure, rising 74bps y/y, as the Current And Savings Account (CASA) mix deteriorated by 128bps y-t-d. Elsewhere, Opex also came in higher than expected following increased Premises and equipment costs, IT & e-business expenses and Personnel expenses (+45.8% y/y).

Overall, the results were impressive, considering the high base from the previous year. We expect strong growth in NIR to continue to drive earnings in FY 22. In addition, we are encouraged by the performance of the Rest of Africa business which grew PBT by 230.7% y/y and contributed 50.4% to the group's PBT in Q1 22 (Q1 21: 16.5%). Like **UBA (BUY, TP: N11.72)**, the performance highlights the diversification benefits of having Pan-African operations. The company is on track to 'Win with Africa', exploiting significant digital and retail banking opportunities, supported by Nigeria and Africa's demographics. Elsewhere, we like management's dynamic view on the future of banking, as it makes a foray into the payments space, in addition to insurance brokerage and consumer lending. Consequently, we maintain our BUY rating with a TP of N12.93. ACCESSCORP is trading at a 2022 P/B of 0.3x (ROAE: 18.7%), a discount to its SSA peer multiple of 0.6x and its five-year average multiple of 0.5x.

Access Holdings Q1 2022 results

Income Statement (Naira millions)	Q1 2021	Q1 2022	y/y	Q4 21	q/q
Interest income	143,798	173,688	20.8%	130,788	32.8%
Interest expense	(49,839)	(86,329)	73.2%	(97,057)	-11.1%
Net interest income	93,959	87,359	-7.0%	33,731	159.0%
Fees & commissions	30,730	42,899	39.6%	29,609	44.9%
Trading revenues	33,475	58,683	75.3%	61,100	-4.0%
Other income	5,918	7,065	19.4%	41,433	-82.9%
Total operating expenses	(91,496)	(117,187)	28.1%	(80,037)	46.4%
Pre-provision operating profit	72,586	78,819	8.6%	85,835	-8.2%
Loan loss provisions	(12,535)	(13,685)	9.2%	(44,290)	-69.1%
Associate	0	0	na	84	-100.0%
Pre-tax profit	60,050	65,134	8.5%	41,629	56.5%
Tax	(7,503)	(7,735)	3.1%	(3,304)	134.1%
Minorities	(637)	(905)	42.0%	(6)	15,220.8%
Net profit	51,910	56,494	8.8%	38,319	47.4%
EPS (basic, naira)	1.49	1.63	9.4%	1.12	45.5%
Balance Sheet (Naira millions)	FY 2021	Q1 2022	y-t-d		
ASSETS					
Net Loans	4,161,364	4,285,714	3.0%		
Gross Loans	4,311,264	4,440,151	3.0%		
Interbank	284,548	304,570	7.0%		
Securities	3,162,846	3,135,809	-0.9%		
Interest Earning Assets	9,096,423	9,143,986	0.5%		
Total Assets	11,731,965	12,082,444	3.0%		
LIABILITIES					
Customer Deposits	6,954,827	7,494,464	7.8%		
Interbank Funding	1,696,521	1,439,294	-15.2%		
Long-term Funding	1,435,755	1,463,760	2.0%		
Interest Bearing Liabilities	10,102,858	10,413,273	3.1%		
Total Liabilities	10,681,936	10,986,129	2.8%		
Shareholders' equity	1,050,029	1,096,318	4.4%		
Ratios	Q1 2021	Q1 2022	y/y		
Net Interest Margin	5.8%	3.8%	-196bps		
Cost of Funds	2.6%	3.4%	76bps		
Cost to Income	55.8%	59.8%	402bps		
Cost of Risk	1.5%	1.3%	-24bps		
NPL Ratio	-	-	na		
ROAE	27.2%	21.4%	-583bps		
ROAA	2.4%	1.9%	-44bps		

Source: Company data, Coronation Research

ACCESSCORP Summary of Financials

Balance Sheet (Nm)	2020A	2021A	2022F	2023F	2024F	Per Share Data (NGN)	2020A	2021A	2022F	2023F	2024F
ASSETS						EPS	3.01	4.58	5.85	7.16	8.70
Net Loans	3,218,107	4,161,364	4,818,915	5,544,417	6,098,196	DPS	0.80	1.00	1.20	1.50	2.10
Gross Loans	3,367,161	4,311,264	4,957,954	5,701,647	6,271,811	Payout ratio	26.6%	21.8%	20.5%	20.3%	24.0%
Interbank	392,821	284,548	284,548	284,548	284,548	BV per share	21.13	29.54	34.33	40.20	47.23
Securities	1,957,501	3,162,846	3,636,553	4,333,920	4,943,886	Shares outstanding (millions)	35,545	35,545	35,545	35,545	35,545
Interest Earning Assets	6,292,302	9,096,423	10,480,666	12,187,683	13,579,763						
Total Assets	8,679,748	11,731,965	13,578,757	15,827,074	17,704,017						
LIABILITIES						Balance Sheet Gearing	2020A	2021A	2022F	2023F	2024F
Customer Deposits	5,587,418	6,954,827	8,332,297	9,930,150	11,327,741	Loan/deposit	57.6%	59.8%	57.8%	55.8%	53.8%
Interbank Funding	958,397	1,696,521	1,902,995	2,241,281	2,389,676	Investment/assets	22.6%	27.0%	26.8%	27.4%	27.9%
Long-term Funding	960,615	1,435,755	1,435,755	1,435,755	1,435,755	Loan/assets	37.1%	35.5%	35.5%	35.0%	34.4%
Interest Bearing Liabilities	7,520,019	10,102,409	11,686,353	13,622,492	15,168,478	Customer deposits/liabilities	70.5%	65.1%	67.4%	69.0%	70.7%
Total Liabilities	7,928,706	10,681,936	12,358,515	14,398,049	16,025,343	Debt/Liabilities	12.1%	13.4%	11.6%	10.0%	9.0%
Shareholders' equity	743,703	1,026,552	1,196,765	1,405,549	1,655,198	Asset Quality/Capital	2020A	2021A	2022F	2023F	2024F
Minority interests	7,339	23,477	23,477	23,477	23,477	NPLs	161,103	181,541	187,375	205,264	228,612
Total liabilities & equity	8,679,748	11,731,965	13,578,757	15,827,074	17,704,017	RWAs	3,827,611	4,891,615	5,635,994	6,553,945	7,302,538
						Loan loss reserves	149,062	149,900	149,900	157,895	175,855
						Loan loss reserves/loans	4.4%	3.5%	3.0%	2.8%	2.8%
						NPLs/loans	4.8%	4.2%	3.8%	3.6%	3.6%
						Loan loss reserves/NPLs	92.5%	82.6%	80.0%	76.9%	76.9%
						LLP/RWA	3.9%	3.1%	2.7%	2.4%	2.4%
Income Statement (Nm)	2020A	2021A	2022F	2023F	2024F	Return Ratios	2020A	2021A	2022F	2023F	2024F
Interest income	489,217	601,701	768,199	904,445	1,047,930	RoRWA	2.8%	3.3%	3.7%	3.9%	4.3%
Interest expense	(226,267)	(300,243)	(375,488)	(438,851)	(501,712)	Pre-tax ROE	16.8%	16.8%	21.6%	22.5%	23.3%
Net interest income	262,950	301,459	392,711	465,593	546,219	ROE	14.1%	15.3%	17.2%	18.0%	18.6%
Fees & commissions	93,573	118,596	148,245	185,307	231,633	ROA	1.2%	1.4%	1.5%	1.6%	1.8%
Trading revenues	114,326	145,010	155,160	166,021	177,643	ROAE	15.6%	17.9%	18.7%	19.6%	20.2%
Other income	44,474	65,897	69,754	76,730	84,403	ROAA	1.3%	1.6%	1.6%	1.7%	1.8%
Total operating expenses	(326,509)	(371,141)	(433,389)	(488,948)	(552,792)	Revenues	2020A	2021A	2022F	2023F	2024F
Pre-provision operating profit	188,815	259,821	332,482	404,703	487,105	Asset margin	8.7%	7.8%	7.8%	8.0%	8.1%
Loan loss provisions	(62,893)	(83,213)	(69,519)	(82,612)	(95,788)	Liability margin	3.3%	3.4%	3.4%	3.5%	3.5%
Associate	0	93	0	0	0	NIM	4.7%	3.9%	4.0%	4.1%	4.2%
Pre-tax profit	125,922	176,701	262,963	322,091	391,317	Spread (ppts)	5.4%	4.4%	4.4%	4.5%	4.6%
Tax	(19,912)	(16,485)	(52,593)	(64,418)	(78,263)	Non-IR/ average assets	3.2%	3.2%	2.9%	2.9%	2.9%
Minorities	(1,327)	(1,888)	(2,479)	(3,036)	(3,689)	Total rev/average assets	6.5%	6.2%	6.1%	6.1%	6.2%
Net profit	104,683	158,328	207,891	254,637	309,365	NII/Total revenues	51.0%	47.8%	51.3%	52.1%	52.5%
						Fees/Total Revenues	18.2%	18.8%	19.4%	20.7%	22.3%
						Trading/Total revenues	22.2%	23.0%	20.3%	18.6%	17.1%
Growth Rates	2020A	2021A	2022F	2023F	2024F	Cost ratios	2020A	2021A	2022F	2023F	2024F
Loans	8.5%	28.0%	15.0%	15.0%	10.0%	Cost/income	63.4%	58.8%	56.6%	54.7%	53.2%
Deposits	31.3%	24.5%	19.8%	19.2%	14.1%	Cost/ average assets	4.1%	3.6%	3.4%	3.3%	3.3%
Assets	21.5%	35.2%	15.7%	16.6%	11.9%	Effective tax	15.8%	9.3%	20.0%	20.0%	20.0%
Equity	24.3%	38.0%	16.6%	17.4%	17.8%	No of employees	6,781	6,875			
RWA	5.7%	27.8%	15.2%	16.3%	11.4%	Valuation	2020A	2021A	2022F	2023F	2024F
Net Interest income	-5.2%	14.6%	30.3%	18.6%	17.3%	P/E (x)	3.3	2.2	1.7	1.4	1.1
Non-interest income	125.1%	30.6%	13.2%	14.7%	15.3%	P/BV (x)	0.5	0.3	0.3	0.2	0.2
of which Fee Growth	26.4%	26.7%	25.0%	25.0%	25.0%	Dividend yield	8.2%	10.3%	12.3%	15.4%	21.5%
Revenues	32.4%	22.4%	21.4%	16.7%	16.4%						
Costs	28.7%	13.7%	16.8%	12.8%	13.1%						
Pre-provision profits	39.3%	37.6%	28.0%	21.7%	20.4%						
Loan loss provision	211.5%	32.3%	-16.5%	18.8%	15.9%						
Pre-tax profit	9.1%	40.3%	48.8%	22.5%	21.5%						
Net profit	8.5%	51.2%	31.3%	22.5%	21.5%						
EPS	3.8%	52.2%	27.7%	22.5%	21.5%						
DPS	23.1%	25.0%	20.0%	25.0%	40.0%						

Source: Company reports, Coronation Research estimates

Note: N in millions (except per-share data). Fiscal year ends in December. O/w - out of which

United Bank for Africa (UBA) | BUY, TP: N11.72

Q1 22: UBA's EPS grew by 9.6% y/y, driven by NII (+14.1% y/y) and NIR (+27.1% y/y). The former was supported by solid loan growth (+6.7% y-t-d) and increased investment securities yields (+13bps y/y), while a surge in trading revenues (+52.9% y/y) drove the latter. Notably, UBA's loan growth in Q1 22 alone has surpassed the loan growth in all of FY 21. On an annualised basis, the achieved EPS is ahead of our and consensus FY 22 forecasts by 10.0% and 17.5%, owing to better-than-expected NIR and a lower-than-expected effective tax rate.

Overall, the results were decent, in our view, with earnings growth in line with peers. We expect strong growth in both NII and NIR to continue to drive earnings in FY 22. The key investment case remains the earnings diversification benefits of its non-Nigerian African subsidiaries; its exposure to other African markets has provided a natural hedge to the troubles with its Nigerian business. We also like that its Retail strategy is yielding positive results, and it has solid asset quality metrics and a strong capital base. Accordingly, we rate the stock a BUY with a TP of N11.72. The stock is trading at a 2022 P/B of 0.3x (ROAE: 17.1%), a significant discount to its SSA peer multiple of 0.6x.

United Bank for Africa Q1 2022 results

Income Statement (Naira millions)	Q1 2021	Q1 2022	y/y	Q4 21	q/q
Interest income	108,590	125,076	15.2%	130,553	-4.2%
Interest expense	(34,209)	(40,207)	17.5%	(43,107)	-6.7%
Net interest income	74,381	84,869	14.1%	87,446	-2.9%
Fees & commissions	20,366	24,297	19.3%	32,984	-26.3%
Trading revenues	10,469	14,959	42.9%	(10,944)	na
Other income	1,432	1,764	23.2%	1,824	-3.3%
Total operating expenses	(64,454)	(77,642)	20.5%	(72,973)	6.4%
Pre-provision operating profit	42,194	48,247	14.3%	38,337	25.8%
Loan loss provisions	(2,028)	(4,184)	106.3%	(9,458)	-55.8%
Associate	415	421	1.4%	840	-49.9%
Pre-tax profit	40,581	44,484	9.6%	29,719	49.7%
Tax	(2,426)	(2,988)	23.2%	(15,638)	-80.9%
Minorities	(2,588)	(2,563)	-1.0%	1,260	-303.4%
Net profit	35,567	38,933	9.5%	15,341	153.8%
EPS (basic, naira)	1.04	1.14	9.6%	0.45	153.3%

Balance Sheet (naira millions)	FY 2021	Q1 2022	y-t-d
ASSETS			
Net Loans	2,680,667	2,869,670	7.1%
Gross Loans	2,777,083	2,963,289	6.7%
Interbank	153,897	101,310	-34.2%
Securities	3,335,630	3,295,923	-1.2%
Interest Earning Assets	8,002,074	8,335,710	4.2%
Total Assets	8,541,318	8,888,384	4.1%
LIABILITIES			
Customer Deposits	6,369,189	6,653,742	4.5%
Interbank Funding	654,211	684,368	4.6%
Long-term Funding	455,772	417,536	-8.4%
Interest Bearing Liabilities	7,479,172	7,755,646	3.7%
Total Liabilities	7,736,511	8,062,631	4.2%
Shareholders' equity	804,807	825,753	2.6%

Ratios	Q1 2021	Q1 2022	y/y
Net Interest Margin	4.0%	4.2%	12bps
Cost of Funds	2.0%	2.1%	11bps
Cost to Income	60.2%	61.5%	127bps
Cost of Risk	0.3%	0.6%	29bps
NPL Ratio	-	-	na
ROAE	20.6%	20.4%	-24bps
ROAA	2.0%	1.9%	-5bps

Source: Company data, Coronation Research

UBA Summary of Financials

Balance Sheet (Nm)	2020A	2021A	2022F	2023F	2024F	Per Share Data (NGN)	2020A	2021A	2022F	2023F	2024F
ASSETS						EPS	3.10	3.39	4.14	4.63	5.08
Net Loans	2,554,975	2,680,667	2,947,186	3,162,834	3,331,038	DPS	0.52	1.00	1.20	1.30	1.40
Gross Loans	2,666,322	2,777,083	3,054,791	3,268,627	3,432,058	Payout ratio	16.8%	29.5%	28.0%	28.0%	28.0%
Interbank	77,419	153,897	509,934	516,124	614,336	BV per share	21.04	23.53	26.68	30.14	33.98
Securities	2,795,191	3,348,726	3,174,105	3,343,442	3,457,929	Shares outstanding (millions)	34,199	34,199	34,199	34,199	34,199
Interest Earning Assets	7,302,203	8,002,074	8,591,269	9,085,327	9,535,140						
Total Assets	7,693,377	8,541,318	9,168,789	9,699,573	10,184,424	Balance Sheet Gearing	2020A	2021A	2022E	2023E	2024E
						Loan/deposit	45.0%	42.1%	43.1%	44.1%	45.1%
LIABILITIES						Investment/assets	36.3%	39.2%	34.6%	34.5%	34.0%
Customer Deposits	5,676,011	6,369,189	6,839,915	7,173,905	7,387,852	Loan/assets	33.2%	31.4%	32.1%	32.6%	32.7%
Interbank Funding	418,157	654,211	654,211	654,211	654,211	Customer deposits/liability:	81.4%	82.3%	82.8%	82.8%	81.9%
Long-term Funding	694,355	455,772	469,445	483,529	498,034	Debt/Liabilities	10.0%	5.9%	5.7%	5.6%	5.5%
Interest Bearing Liabilities	6,795,452	7,488,605	7,973,004	8,321,077	8,549,530						
Total Liabilities	6,973,831	7,736,511	8,256,454	8,668,706	9,022,175	Asset Quality/Capital	2020A	2021A	2022E	2023E	2024E
						NPLs	128,801	104,107	104,003	97,067	86,721
Shareholders' equity	719,546	804,807	912,334	1,030,867	1,162,248	RWAs	2,434,326	2,642,796	2,837,386	3,000,555	3,149,112
Minority interests	27,895	28,633	28,633	28,633	28,633	Loan loss reserves	111,345	96,415	93,026	86,822	77,568
Total liabilities & equity	7,693,377	8,541,318	9,168,789	9,699,573	10,184,424	Loan loss reserves/loans	4.2%	3.5%	3.0%	2.7%	2.3%
						NPLs/loans	4.8%	3.7%	3.4%	3.0%	2.5%
						Loan loss reserves/NPLs	86.4%	92.6%	89.4%	89.4%	89.4%
						LLP/RWA	4.6%	3.6%	3.3%	2.9%	2.5%
Income Statement (Nm)	2020A	2021A	2022F	2023F	2024F	Return Ratios	2020A	2021A	2022E	2023E	2024E
Interest income	427,862	474,262	519,627	566,731	605,574	RoRWA	4.5%	4.5%	5.1%	5.4%	5.7%
Interest expense	(168,395)	(157,551)	(169,903)	(182,161)	(192,464)	Pre-tax ROE	17.7%	19.0%	19.6%	19.6%	19.1%
Net interest income	259,467	316,711	349,723	384,570	413,110	ROE	15.3%	14.9%	16.0%	15.8%	15.3%
Fees & commissions	82,608	100,902	110,165	121,182	133,300	ROA	1.4%	1.4%	1.5%	1.6%	1.7%
Trading revenues	54,847	16,385	24,578	28,264	32,504	ROAE	16.7%	15.8%	17.1%	16.8%	16.3%
Other income	6,120	8,996	9,896	10,885	11,974	ROAA	1.6%	1.4%	1.6%	1.7%	1.7%
Total operating expenses	(249,847)	(278,986)	(303,979)	(329,609)	(354,213)						
Pre-provision operating profit	153,195	164,008	190,383	215,292	236,675	Revenues	2020A	2021A	2022E	2023E	2024E
Loan loss provisions	(27,009)	(12,863)	(11,191)	(12,766)	(14,198)	Asset margin	6.8%	6.2%	6.3%	6.4%	6.5%
Associate	1,071	1,928	0	0	0	Liability margin	2.9%	2.2%	2.2%	2.2%	2.3%
Pre-tax profit	127,257	153,073	179,192	202,526	222,477	NIM	4.1%	4.1%	4.2%	4.4%	4.4%
Tax	(18,095)	(34,395)	(34,046)	(40,505)	(44,495)	Spread (ppts)	3.9%	4.0%	4.1%	4.2%	4.2%
Minorities	(3,253)	(2,795)	(3,418)	(3,816)	(4,192)	Non-IR/ average assets	2.2%	1.6%	1.6%	1.7%	1.8%
Net profit	105,909	115,883	141,727	158,205	173,790	Total rev/average assets	6.1%	5.5%	5.6%	5.8%	5.9%
						NII/Total revenues	64.4%	71.5%	70.7%	70.6%	69.9%
						Fees/Total Revenues	20.5%	22.8%	22.3%	22.2%	22.6%
						Trading/Total revenues	13.6%	3.7%	5.0%	5.2%	5.5%
Growth Rates	2020A	2021A	2022E	2023E	2024E	Cost ratios	2020A	2021A	2022E	2023E	2024E
Loans	24.0%	4.9%	9.9%	7.3%	5.3%	Cost/income	62.0%	63.0%	61.5%	60.5%	59.9%
Deposits	48.1%	12.2%	7.4%	4.9%	3.0%	Cost/ average assets	3.8%	3.4%	3.4%	3.5%	3.6%
Assets	37.3%	11.0%	7.3%	5.8%	5.0%	Effective tax	14.2%	22.5%	19.0%	20.0%	20.0%
Equity	20.3%	11.8%	13.4%	13.0%	12.7%	No of employees	10,838	10,199			
RWA	20.6%	8.6%	7.4%	5.8%	5.0%						
Net Interest income	16.9%	22.1%	10.4%	10.0%	7.4%	Valuation	2020A	2021A	2022F	2023F	2024F
Non-interest income	15.4%	-12.0%	14.5%	10.8%	10.9%	P/E (x)	1.9	1.7	1.5	1.4	1.2
of which Fee Growth	3.3%	22.1%	9.2%	10.0%	10.0%	P/BV (x)	0.3	0.3	0.2	0.2	0.2
Revenues	16.4%	9.9%	11.6%	10.2%	8.4%	Dividend yield	6.7%	12.9%	15.5%	16.8%	18.1%
Costs	15.0%	11.7%	9.0%	8.4%	7.5%						
Pre-provision profits	18.6%	7.1%	16.1%	13.1%	9.9%						
Loan loss provision	48.0%	-52.4%	-13.0%	14.1%	11.2%						
Pre-tax profit	14.4%	20.3%	17.1%	13.0%	9.9%						
Net profit	22.8%	9.4%	22.3%	11.6%	9.9%						
EPS	22.8%	9.4%	22.3%	11.6%	9.9%						
DPS	-48.0%	92.3%	20.0%	8.3%	7.7%						

Source: Company reports, Coronation Research estimates

Note: N in millions (except per-share data). Fiscal year ends in December. O/w - out of which

Stanbic IBTC Holdings (STANBIC) | BUY: N45.00

Q1 22: STANBIC's EPS grew by 35.4% y/y, driven by NIR (+40.2% y/y) and NII (+47.7% y/y). NIR was supported by a surge in Trading revenues (+225.9%) which recovered from last year's record lows. NII, on the other hand, benefitted from solid loan growth (+6.4% y-t-d), increased loan yield (+94bps y/y) and increased investment securities yield (+167bps y/y). The group did face Cost of Funds (+73 bps y/y) pressure, with its Current And Savings Account (CASA) mix dropping by 330bps y-t-d to 62.7%. However, improved Yield on assets (+178bps y/y) offset the pressure and led to 101bps y/y NIM expansion. On an annualised basis, the achieved EPS is behind our and consensus FY 22 forecasts by 15.7% and 7.4%, owing to higher-than-expected operating expenses and a record high effective tax rate. Although Opex (+32.1% y/y) grew substantially, the rise in net revenue was able to cushion the pressure. As a result, the group's Cost-to-income ratio fell by 538bps to 63.8%. Notably, STANBIC was the only bank amongst our coverage to improve efficiency.

We are encouraged by the recovery from the highly disappointing performance in Q1 21, especially the RoE uplift. We expect improved market yields will positively impact NII and NIM over the rest of the year. In addition, we hope the group can sustain the recovery in Trading revenues which have historically been a solid contributor to Net revenue. Accordingly, we rate the stock a BUY with a TP of N45.00. The stock is trading at a 2022 P/B of 1.1x (ROAE: 17.5%), a premium to its SSA peer multiple of 0.6x.

Stanbic IBTC Holdings Q1 2022 results

Income Statement (Naira millions)	Q1 2021	Q1 2022	y/y	Q4 21	q/q
Interest income	21,014	32,996	57.0%	31,748	3.9%
Interest expense	(5,154)	(9,563)	85.5%	(10,371)	-7.8%
Net interest income	15,860	23,433	47.7%	21,377	9.6%
Fees & commissions	20,815	21,714	4.3%	21,924	-1.0%
Trading revenues	3,223	10,503	225.9%	4,267	146.1%
Other income	(955)	141	na	328	-57.0%
Total operating expenses	(26,949)	(35,606)	32.1%	(27,295)	30.4%
Pre-provision operating profit	11,994	20,185	68.3%	20,601	-2.0%
Loan loss provisions	148	(586)	na	90	-751.1%
Associate	-	-	na	-	na
Pre-tax profit	12,142	19,599	61.4%	20,691	-5.3%
Tax	(886)	(4,531)	411.4%	(3,674)	23.3%
Minorities	(621)	(724)	16.6%	(621)	16.6%
Net profit	10,635	14,344	34.9%	16,396	-12.5%
EPS (naira)	0.82	1.11	35.4%	1.27	-12.6%

Balance Sheet (Naira millions)	FY 2021	Q1 2022	y-t-d
ASSETS			
Net Loans	921,044	980,149	6.4%
Gross Loans	946,259	1,006,723	6.4%
Interbank	16,096	7,490	-53.5%
Securities	735,354	854,261	16.2%
Interest Earning Assets	1,672,494	1,841,900	10.1%
Total Assets	2,742,764	3,099,239	13.0%
LIABILITIES			
Customer Deposits	1,126,535	1,202,199	6.7%
Interbank Funding	431,862	455,439	5.5%
Long-term Funding	183,853	217,352	18.2%
Interest Bearing Liabilities	1,742,250	1,874,990	7.6%
Total Liabilities	2,365,898	2,703,234	14.3%
Shareholders' equity	376,866	396,005	5.1%

Ratios	Q1 2021	Q1 2022	y/y
Net Interest Margin	4.3%	5.3%	101bps
Cost of Funds	1.4%	2.1%	73bps
Cost to Income	69.2%	63.8%	-538bps
Cost of Risk	-0.1%	0.2%	na
NPL Ratio	3.6%	2.2%	-135bps
ROAE	12.5%	16.2%	373bps
ROAA	1.6%	2.2%	57bps

Source: Company data, Coronation Research

STANBIC Summary of Financials

Balance Sheet (Nm)	2020A	2021A	2022F	2023F	2024F
ASSETS					
Net Loans	625,139	921,044	1,100,637	1,276,592	1,467,995
Gross Loans	655,292	946,259	1,116,586	1,295,239	1,489,525
Interbank	7,828	16,096	16,096	16,096	16,096
Securities	781,931	735,354	909,429	1,048,182	1,197,805
Interest Earning Assets	1,407,070	1,656,398	1,887,948	2,184,025	2,504,959
Total Assets	2,486,306	2,746,778	3,324,025	3,824,244	4,364,761
LIABILITIES					
Customer Deposits	819,944	1,126,535	1,393,211	1,605,776	1,834,993
Interbank Funding	505,622	431,667	501,483	688,503	805,835
Long-term Funding	180,300	184,057	184,057	184,057	184,057
Interest Bearing Liabilities	686,011	616,197	686,013	873,033	990,365
Total Liabilities	2,107,705	2,369,894	2,920,517	3,393,881	3,907,517
Shareholders' equity	371,023	368,034	394,658	421,513	448,394
Minority interests	7,578	8,850	8,850	8,850	8,850
Total liabilities & equity	2,486,306	2,746,778	3,324,025	3,824,244	4,364,761
Income Statement (Nm)	2020A	2021A	2022F	2023F	2024F
Interest income	105,776	104,751	124,199	148,343	175,717
Interest expense	(31,561)	(29,379)	(36,933)	(47,040)	(59,192)
Net interest income	74,215	75,372	87,266	101,303	116,525
Fees & commissions	71,190	82,877	91,895	102,079	113,594
Trading revenues	52,110	13,286	16,608	18,268	20,095
Other income	1,409	(390)	742	753	765
Total operating expenses	(93,433)	(106,647)	(113,241)	(120,265)	(127,749)
Pre-provision operating profit	105,491	64,498	83,271	102,139	123,230
Loan loss provisions	(10,774)	1,505	(2,073)	(3,790)	(5,274)
Associate	0	0	0	0	0
Pre-tax profit	94,717	66,003	81,198	98,349	117,956
Tax	(11,506)	(9,037)	(12,992)	(15,736)	(18,873)
Minorities	(2,272)	0	0	0	0
Net profit	80,939	56,966	68,206	82,613	99,083
Growth Rates	2020A	2021A	2022F	2023F	2024F
Loans	17.5%	47.3%	19.5%	16.0%	15.0%
Deposits	28.6%	37.4%	23.7%	15.3%	14.3%
Assets	32.5%	10.5%	21.0%	15.0%	14.1%
Equity	25.2%	-0.8%	7.2%	6.8%	6.4%
RWA	13.6%	22.7%	14.0%	15.7%	14.7%
Net Interest income	-4.6%	1.6%	15.8%	16.1%	15.0%
Non-interest income	14.7%	-23.2%	14.1%	10.9%	11.0%
of which Fee Growth	1.1%	16.4%	10.9%	11.1%	11.3%
Revenues	6.6%	-14.0%	14.8%	13.2%	12.8%
Costs	-0.6%	14.1%	6.2%	6.2%	6.2%
Pre-provision profits	14.0%	-38.9%	29.1%	22.7%	20.6%
Loan loss provision	560.2%	-114.0%	-237.7%	82.8%	39.2%
Pre-tax profit	4.2%	-30.3%	23.0%	21.1%	19.9%
Net profit	11.4%	-29.6%	19.7%	21.1%	19.9%
EPS	-9.7%	-32.8%	25.3%	21.1%	19.9%
DPS	33.3%	-25.0%	30.0%	33.3%	23.1%
Per Share Data (NGN)	2020A	2021A	2022F	2023F	2024F
EPS	6.25	4.20	5.26	6.38	7.65
DPS	4.00	3.00	3.90	5.20	6.40
Payout ratio	64.0%	71.4%	74.1%	81.6%	83.7%
BV per share	34.09	29.09	31.14	33.21	35.29
Shares outstanding (millions)	11,106	12,958	12,958	12,958	12,958
Balance Sheet Gearing	2020A	2021A	2022F	2023F	2024F
Loan/deposit	76.2%	81.8%	79.0%	79.5%	80.0%
Investment/assets	31.4%	26.8%	27.4%	27.4%	27.4%
Loan/assets	25.1%	33.5%	33.1%	33.4%	33.6%
Customer deposits/liabilities	38.9%	47.5%	47.7%	47.3%	47.0%
Debt/Liabilities	8.6%	7.8%	6.3%	5.4%	4.7%
Asset Quality/Capital	2020A	2021A	2022F	2023F	2024F
NPLs	20,338	16,783	13,708	11,349	9,979
RWAs	1,351,318	1,657,874	1,889,630	2,185,971	2,507,191
Loan loss reserves	25,221	21,074	17,431	14,617	13,021
Loan loss reserves/loans	3.8%	2.2%	1.6%	1.1%	0.9%
NPLs/loans	3.1%	1.8%	1.2%	0.9%	0.7%
Loan loss reserves/NPLs	124.0%	125.6%	127.2%	128.8%	130.5%
LLP/RWA	1.9%	1.3%	0.9%	0.7%	0.5%
Return Ratios	2020A	2021A	2022F	2023F	2024F
RoRWA	6.2%	3.4%	3.6%	3.8%	4.0%
Pre-tax ROE	25.0%	17.5%	20.1%	22.9%	25.8%
ROE	22.0%	15.1%	16.9%	19.2%	21.7%
ROA	3.3%	2.1%	2.1%	2.2%	2.3%
ROAE	24.4%	15.1%	17.5%	19.8%	22.3%
ROAA	3.8%	2.2%	2.2%	2.3%	2.4%
Revenues	2020A	2021A	2022F	2023F	2024F
Asset margin	9.0%	6.8%	7.1%	7.3%	7.5%
Liability margin	5.6%	4.5%	5.7%	6.0%	6.4%
NIM	6.3%	4.9%	4.9%	5.0%	5.0%
Spread (ppts)	3.5%	2.3%	1.4%	1.3%	1.2%
Non-IR/ average assets	5.7%	3.7%	3.6%	3.4%	3.3%
Total rev/average assets	9.1%	6.5%	6.5%	6.2%	6.1%
NII/Total revenues	37.3%	44.0%	44.4%	45.5%	46.4%
Fees/Total Revenues	35.8%	48.4%	46.8%	45.9%	45.3%
Trading/Total revenues	26.2%	7.8%	8.5%	8.2%	8.0%
Cost ratios	2020A	2021A	2022F	2023F	2024F
Cost/income	47.0%	62.3%	57.6%	54.1%	50.9%
Cost/ average assets	4.3%	4.1%	3.7%	3.4%	3.1%
Effective tax	12.1%	13.7%	16.0%	16.0%	16.0%
No of employees	2,972	2,895			
Valuation	2020A	2021A	2022F	2023F	2024F
P/E (x)	4.7	8.1	6.5	5.4	4.5
P/BV (x)	1.0	1.2	1.1	1.0	1.0
Dividend yield	11.7%	8.8%	11.4%	15.2%	18.7%

Source: Company reports, Coronation Research estimates

Note: N in millions (except per-share data). Fiscal year ends in December. O/w - out of which

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Ratings and Price Target History

Ticker	Date	Recommendation	Date	Recommendation	Date	Recommendation	Target price, Naira/s
ZENITHBANK	08-Jan-20	Buy	25-Jun-21	Buy	22-Feb-22	Buy	30.86
GTCO	08-Jan-20	Buy	25-Jun-21	Buy	22-Feb-22	Buy	36.63
ACCESS	08-Jan-20	Buy	25-Jun-21	Buy	22-Feb-22	Buy	12.88
FBNH	08-Jan-20	Buy	25-Jun-21	Hold	22-Feb-22	Sell	8.34
UBA	08-Jan-20	Buy	25-Jun-21	Buy	22-Feb-22	Buy	11.72
STANBIC	08-Jan-20	Buy	25-Jun-21	Buy	22-Feb-22	Buy	45.00
MTNN	08-Jan-20	Not Rated	25-Jun-21	Not Rated	22-Feb-22	Buy	274.41
AIRTELAFRI	08-Jan-20	Not Rated	25-Jun-21	Not Rated	22-Feb-22	Sell	1,051.07

Coronation Research Investment Rating Distribution	
Buy	75.0%
Sell	25.0%
Hold	0%
Under Review	0%

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